

IFRS for SMEs as an alternative approach within Algeria's financial accounting system reform strategy

المعيار الدولي للإبلاغ المالي للمؤسسات الصغيرة والمتوسطة كمقاربة بديلة ضمن استراتيجية الجزائر
لإصلاح النظام المحاسبي المالي.

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Abstract :

ملخص :

The purpose of this paper is to introduce a new approach within Algeria's strategy to evaluate and review the Financial Accounting System.

We have proposed a model that combines two systems: maintaining the current system to be applied by listed enterprises as well as large joint stock companies after reviewing it with the international standards (Full IAS/IFRS); and adopting The International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) applied by SMEs.

Keywords: IFRS for SMEs, SMEs, IFRS, FAS, IASB, NORMALIZATION.

هدفت هاته الدراسة إلى طرح مقاربة جديدة في إطار استراتيجية الجزائر لتقييم ومراجعة النظام المحاسبي المالي.

وقد اقترحنا نمودجا يزاوج بين نظامين: الإبقاء على النظام الحالي ليطبق من طرف المؤسسات المسجلة في البورصة وكذا شركات المساهمة الكبيرة بعد مراجعته مع المعايير الدولية؛ وتبني المعيار الدولي للمؤسسات الصغيرة والمتوسطة الذي يطبق من طرف المؤسسات الصغيرة والمتوسطة.

الكلمات المفتاحية: المعيار الدولي، الإبلاغ المالي للمؤسسات الصغيرة والمتوسطة، استراتيجية الجزائر، النظام المحاسبي المالي.

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INTRODUCTION :

The increasing dissemination of IFRS has led to much research on the determinants of the adoption of the International Accounting Standard/ International Financial Reporting Standards (IAS/IFRS).

Financial statements prepared in accordance with heterogeneous rules can provide incomparable results. Therefore, harmonization of standards would ensure that financial statements are prepared consistently and reliably. This is the purpose of IAS/IFRS, but these standards were not initially intended to require SMEs to prepare financial statements that meet these standards.

For this reason, the International Accounting Standards Board (IASB) decided to design accounting standards for SMEs, simplify full IAS/IFRS, and publish them on July 9, 2009. These standards come for SMEs to simplify the use of the International Conceptual Framework (IAS/IFRS) and to avoid the very high costs inherent in the application of full IFRS.

2. The Problem:

The Financial Accounting System (FAS), which dates back to 2002, is the result of an economic approach to the attractiveness of Foreign Direct Investments, designed to facilitate the privatization and evaluation process of public entities and to promote the legibility of their financial statements in order to make them comparable and transparent.

The Financial Accounting System (FAS) developed by a French group consisting of the National Accounting Board (CNC), the Higher Council of the Order of Accounting Experts (CSOEC) and the CNCC. The project was reviewed and reviewed by a group of professionals; it has been converging by "adapting" to current international standards.

The work was not finalized until 2004 and the Accounting Act (07-11) was not enacted until November 25, 2007, when the implementing texts and methodological notes of first application did not appear until much later (2009/2010).

The effective application of the FAS could not be made possible until 1 January 2010 with pro forma processing of the 2009 financial statements.

In the meantime, international standards have been seriously amended, leading to clarifications or profound changes.

The passage of time, the lack of involvement or the insufficient preparation of all stakeholders, as well as the administrative and bureaucratic burdens...constitute the first constraint of the Financial Accounting System (out of norms).

The Algerian Financial Accounting System suffers from many problems that can be divided into:

Relative to the economic environment national and institutional framework;

Compared to the law;

Compared to the evolution of the International Standardization.

Ten years after the application of the financial accounting system, the Algerian authorities launched a workshop to evaluate and review the system in January 2019.

Without going into the details of the constraints and problems of the Financial Accounting System that we have limited (above) to three axes, and without going into the usual discussion about keeping this system as it is, or changing it partially or completely. We ask the following question: "Can we adopt an alternative strategy in the context of the evaluation and review of the Financial Accounting System, which is to combine the current system, which must be updated with the Full IAS/IFRS

standards, and apply it to listed companies and large joint stock companies; and a new system through the adoption of the IFRS for SMEs, which will be applied to SMEs (while maintaining the simplified accounting system for small entities)?"

Of course, to find an answer to this complex question, we formulate a single hypothesis: "This alternative strategy can be adopted, given the composition of the Algerian economy, where, besides large joint stock companies (public, private and mixed), we find hundreds of thousands of Small and Medium Enterprises that have problems in the application of the Financial Accounting System in its current form, and given the advantages that the IFRS for SMEs can provide to SMEs".

3. Introducing the standard:

At first we would like to point out, that we are talking about one single standard in singular rather than "criteria", in plural. This criterion, in turn, is divided into 35 sections, unlike full IFRS, which are a set of criteria.

On July 09, 2009, the Board (IASB) published a reference framework (IASB, 2020/07) for Small and Medium Enterprises. This framework is an international financial reporting standard used by small and medium-sized entities, which account for 95% of all enterprises, according to estimates by the Organization for Economic Cooperation and Development (OECD).

Also, according to the data provided by the International Council for Small Business (ICSB), formal and informal Micro-, Small and Medium-sized Enterprises (MSMEs) make up over 90% of all firms and account, on average, for 70% of total employment and 50% of GDP. That is why the General Assembly of the United Nations declared 27 June Micro-, Small and Medium-sized Enterprises Day, to raise public awareness of their contribution to sustainable development and the global economy. (United Nations Organization, 2020).

This reference framework is the result of a five-year development process that has led to consultation with SMEs around the world.

IFRS for SMEs are a stand-alone standard of about 250 pages, designed to meet the needs and capabilities of small firms. Many of the principles in the International Full IFRS for accounting and evaluation of assets, liabilities, income and expenditures have been simplified, topics that are not supposed to be related to SMEs have been excluded, and the amount of information to be provided has been significantly reduced. In order to reduce the burden of reporting for SMEs, it was decided that no adjustments to this conceptual framework would be made until every three years.

4. Development of IFRS for SMEs:

The development of IFRS for SMEs has gone through a number of stages, which we summarize in the following: (IFRS Foundation, 2019).

2000: International Accounting Standards Committee observed that a demand for special version of accounting standards for small enterprises;

2001: International Accounting Standards Board (Board) commences a project to develop an accounting standard for Small and Medium-sized Entities (SMEs);

2002: Standards Advisory Council (predecessor to the IFRS Advisory Council) supports project to create a SMEs standard;

June 2004: The Board publishes Discussion Paper Preliminary views on accounting standards for SMEs. Invites comments on Board's approach to project. Receives 120 comment letters;

Later (Discussion Paper Feedback): Stakeholders support development of the IFRS for SMEs Standard. The stakeholders prefer adopting the IFRS for SMEs Standard as developed by Board rather than locally or regionally developed standards;

February 2007: Board published Exposure Draft examining a proposed stand-alone standard for small and medium-sized entities. Receives 162 comment letters;

March 2008: Board begins deliberations of feedback on the Exposure Draft;

June 2009: Board issues the IFRS for SMEs Standard;

2010: The SME Implementation Group (SMEIG) established

June 26, 2012: Request for comprehensive review information for IFRS for SMEs (published);

2015: Amendments to IFRS for SMEs.

5. Reasons for issuing International Financial Reporting Standard for SMEs:

Why a global standard for Small and Medium Entities? The answer to this question can be summarized as follows: (IFRS Foundation, 2019)

The consistent application of a single conceptual framework for financial reporting enhances the comparability of financial statements;

Improving the efficiency of allocation and capital pricing;

Improving consistency in the quality of auditing;

To facilitate education and training.

6. Goals of the new repository:

The new conceptual framework aims to:

Simplification: Compared to complete IFRS, the new repository is less dense but above all easier to use for preparers of financial statements. Thus, evaluation and accounting methods are preferred, which are the easiest to implement. In addition, the information to be provided is generally less complete than in the information provided by the full IFRS. Finally, the drafting of the repository should allow for an easy understanding of the provisions of the standard.

Reducing the costs of preparing financial statements: While large companies can absorb the costs of implementing IFRS, the same is not true for SMEs: the costs incurred in relation to the benefits of applying IFRS may be considered too great. This is why this criterion was taken into account in the development of the new repository.

Meeting the needs of users of financial statements: The repository should enable investors, lenders and others (including executives) to compare the performance and financial situation and cash flows of SMEs and, as a result, improve their ability to raise funds.

7. Considerations in developing an IFRS for SMEs Standard: (IFRS Foundation, 2019). Is developing an IFRS for SMEs Standard consistent with Board's mission? The IFRS Foundation Constitution¹ states that fulfilling objectives takes into account, as appropriate, the needs of a range of entity sizes and types in diverse economic settings. (IFRS Foundation, 2018, p. 3)

2- Should Standards for SMEs be developed by others?

- The Board considered whether a SMEs standard should be developed country-by-country, at a regional level, or by the Board.

- The Board decided that by developing a SMEs standard itself, it would bring global consistency & comparability to financial statements

3- Do national standard-setters support the Board developing an IFRS for SMEs Standard? National standard-setters support the Board developing a standard for SMEs.

8. Description of small and medium-sized entities:

Small and medium-sized entities are entities that: (International Accounting Standards Board, 2009)

(a) Do not have **public accountability**, and

(b) Publish **general purpose financial statements** for external users. Examples of external users include owners who are not involved in managing the business, existing and potential creditors, and credit rating agencies.

An entity has public accountability if:

(a) Its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or

(b) It holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. This is typically the case for banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks.

Regarding size, we could say there is no size criteria: «The IASB did not wish to institute a size criterion to define an SME, although this criterion is generally used to determine the scope of accounting obligations. Nevertheless, the IASB considers that this repository typically applies to companies with about 50 people. But this threshold is by no means a limit and significantly smaller entities can also adopt this standard.

It will be up to each country to define the type of companies that will or will be able to use this repository.» (RF Comptable, 2007).

Although researchers agree on the importance of SMEs in the development of an economy, there is no agreement on the definition of SMEs because they have been defined in many forms by different writers. However, the United Nations and OECD criteria for classifying companies to medium and small size, based on **business numbers**, **asset base** and **number of workers**, remain the platform for different definitions. Therefore, the definition of SMEs becomes a matter of competence at the level of economic development, and in particular the transferability of cash. (Onyinye & Iheanyi, 2016)

Unfortunately, there is no set definition of SMEs that applies globally. Each country gets its own definition, and they may also decide to set specific limits for specific industries. For example, in the European Union (EU) a business with fewer than 250 employees is considered to be small and medium-sized companies, while SMEs in the United States may have up to 1200 employees. (Small Business Administration, 2019) (European Commission, 2020)

SMEs make up the vast majority of businesses in most countries. According to the Small Business Administration (SBA), 99.9% of U.S. businesses in 2018 were small businesses. (Small Business Administration, 2018)

In the United States of America, for example, the Small Business Administration defines small businesses as "...Independently owned and exploited, for-profit organization and not dominant in its field. By industry type, Standard size eligibility is based on the average number of employees during the previous 12 months or on average sales volume over a three-year period"...

SMEs are also defined as projects employing less than 500 people in manufacturing companies with an annual turnover of only \$7.5 million for most non-industrial companies (Onyinye & Iheanyi, 2016).

The European Union defines a small business as a company with fewer than 50 employees. At the same time, some international organizations have adopted definitions of SMEs based on three-way standards for staff, sales and assets. For example, the International Finance Corporation and the Multilateral Investment Guarantee Agency, two branches of the World Bank group, define small enterprises as those that meet two of the following three criteria:

- Less than 50 employees
- Less than \$3 million of total assets
- Less than \$3 million total annual sales.

Table 1. IFC's Working Definition for SMEs

indicator	Micro Enterprise	Small Enterprise	Medium Enterprise
Employees	<10	10<50	50<300
Total Assets	<\$100,000	\$100,000<\$3 million	\$3 million < \$15 million
Total Annual Sales	<\$100 000	\$100,000<\$3 million	\$3 million < \$15 million

Source: International Finance Corporation, 2012, p.1.

The International Financial Reporting Standard (IFRS) proposes a "negative definition" of SMEs: (Colasse, 2009, pp. 425-429) describing a small enterprise as an entity that "has no public responsibility", meaning an entity that is not "priced" (on the way to becoming a broker) or whose main activity entity is not to retain third-party credit assets (banks, insurance companies, mutual funds for employment, pension funds...). Therefore, all listed companies, even those of smaller size, are excluded from the range of IFRS for SMEs. This definition does not indicate a threshold (in terms of turnover, total budget, number of staff or other size criteria), unlike those chosen by national or regional organizations such as the European Union or the Organization for Economic Cooperation and Development (OECD). The issue of the definition of SMEs and the title of the standard were among the most discussed during due process. The most appropriate title could have been "IFRS for non-listed companies" (Ram and Newberry, 2013, pp. 3-17)

IFRS for SMEs is a stand-alone standard. The principles are based on a conceptual framework, but many of the principles contained in full IFRS have been simplified, including accounting and evaluation of assets, liabilities, income and expenses. Thus, there is a primacy of historical cost (However, with some exceptions to certain financial instruments or even investment properties). Some topics that are not supposed to concern SMEs are not included in this repository and the volume of information to be communicated in the side notes has been significantly reduced. Although the standard is self-contained, it refers to complete IFRS. The question, not really resolved to date, transposition into the standard of complete IFRS

developments. Take for example, the new IFRS 16 "Lease Contracts" (IASB, 2016) standard, which introduces a classification of leases and a new method of accounting significantly different from those of the old IAS 17 standard, the principles of which are included in the IFRS standard for SMEs. Should the standard be amended or not? A positive response could lead to instability of the standard, a real barrier to its use by SMEs. But a negative response would result in a growing disconnection between complete IFRS and the IFRS standard for SMEs, which can then lose credibility.

Note that, On January 13, 2016, the IASB issued IFRS 16 Lease Agreements. This standard replaces the eponymous IAS 17 standard, as well as the corresponding interpretations (IFRIC 4, SIC 15 and SIC 27). On May 28, 2020, the IASB published an amendment on rent relief related to Covid-19. The amendment comes into effect on June 1, 2020, but tenants can apply the change immediately in all financial statements - intermediate or annual - not yet authorized for publication.

9. SMEs in Algeria:

SMEs play a key role in most economies, particularly in developing countries. SMEs represent the majority of companies around the world and make an important contribution to job creation and global economic development. They represent about 90% of companies and more than 50% of jobs worldwide. (THE WORLD BANK, 2020) The government's commitment to the development of the economy is a key part of the development agenda. These figures are much higher when informal SMEs are listed. According to our estimates, 600 million jobs will be needed by 2030 to absorb the growing global workforce, making SMEs development a top priority for many governments around the world. In emerging markets, most formal jobs are generated by SMEs, which create 7 out of 10 jobs. The government's decision to re-establish a new government in 2006 was a major challenge for the Government of The United States of America.

SMEs are a wealth cell, a source of satisfaction for economic and social needs in terms of economic growth, regional development, unemployment absorption, etc. (THE WORLD BANK, 2020)

SMEs in Algeria account for a large part of the economic fabric, and at the end of the first half of 2019, the number of SMEs in Algeria was 1,171,945, 56% of which were moral persons, of which 244 were public economic enterprises. The rest (44%) It is made up of natural persons, of which 21% are self-employed and 23% are professional.

The majority of SMEs operate mainly in services, handicrafts, construction and public works, while only 8.71 per cent are SMEs of an industrial nature; in addition, the fabric of SMEs suffers from unequal geographical distribution, with most SMEs concentrated in the north of the country at 70 per cent.

Table 2. Global SME Population at End of S1/2019

	Types of SMEs	Number of SMEs	Part (%)
01	Private SMEs		
	Corporations*	659 573	56,28

	Physical person**	512128	43,70
	including Liberal Professions	243759	20,80
	Including craft activities	268369	22,90
	Partial total (01)	1 171 701	99,98
02	Public SMEs***		
	Corporations	244	0,02
	Partial total (02)	244	0,02
	Total	1 171 945	100,00

*Source CNAS ; **Source CASNOS ; ***Source ECOFIE

Source: Algerian Democratic and Popular Republic, Ministry of Industry and Mines, Newsletter SME statistics No.35, November 2019 edition, p.7.

10. The nature of the Algerian financial accounting system:

Algeria, like other French-speaking countries such as Tunisia and Madagascar, for example, has developed its financial accounting system by adopting an explicit conceptual framework by referring to the IASB reference accounting framework on the one hand, and, on the other hand, by maintaining an accounting scheme. The Algerian financial accounting system can therefore be considered a hybrid accounting system, i.e. in part (Anglo-Saxon) through its explicit conceptual framework, and a continental (Francophone) through its accounting scheme. (Khouatra, Merhoum, 2018)

The concept of Hybridization used in biology reflects the idea of the evolutionary process. In 1998, Boyer used the concept of "hybridization" to study the evolution of production models, and hybridization was defined as a transformation of a productive model, between a simple tradition and radical creativity. In 2006, Frimousse and Peretti demonstrated the emergence of a hybrid human resources department in the Maghreb that reconciles the economic and socio-cultural dimensions of adapting to local realities. (Frimousse, Peretti, 2006, pp. 149-158)

The financial accounting system, in addition to being a hybrid system as noted above, is also of special applications. The Algerian financial accounting system is the subject of special applications, taking into account the size of the enterprises and the sector of activity. It is possible to distinguish between four accounting references resulting from differences in the financial accounting system

10.1 Full financial accounting:

In accordance with article 4 of the Law of 25 November 2007, which includes the financial accounting system, companies subject to the provisions of the commercial code, cooperatives, individuals or companies producing commercial or non-market goods or services are subject to financial accounting, as long as they participate in economic activities based on frequent business. Any other natural or legal entities subject to it by law or regulations.

10.2 Simplified financial accounting:

Small entities whose turnover does not exceed the number of their workers and their activity are thresholds defined by legal provisions; they can hold simplified financial accounting, also called treasury accounting or fund accounting. Algeria's partial adoption of the reference framework can be explained by the new social enterprise theory through simulation phenomena that produce legitimacy.

However, Algeria has not fully adopted the IASB's reference framework and has maintained its accounting identity by maintaining its accounting plan. This can be explained by technical and cultural reasons: public accounting in Algeria is directed at a number of stakeholders, including the State that collects taxes calculated through public accounting, the low importance of Algeria's financial markets and the low proximity to Anglo-Saxon culture. In this context, we emphasize that many studies have been concerned with the phenomenon of the diversity of accounting systems and the impact of culture on accounting practices. HOFSTEDE (1980) is considered one of the most prominent figures who studied this phenomenon, as well as GRAY (1988)

10.3 Financial accounting of banks:

The accounting of banks and financial enterprises is subject to a special regulation under the Regulation n° 09-04 of July 23, 2009 (Bank of Algeria, 2009a), by the Governor of the Bank of Algeria, which includes "the bank accounting scheme and accounting rules applicable to banks and financial enterprises".

Under the Regulation n° 09-05 issued on November 18, 2009 (Bank of Algeria, 2009b), by the Governor of the Bank of Algeria, which includes "preparation and publication of financial statements of banks and financial enterprises", financial enterprises are obliged to hold private accounting and prepare and publish customary financial statements (balance sheet, income statement, statement of cash flows, statement of changes in equity, notes to financial statements) as well as an (off-balance sheet)

10.4 Financial accounting of insurance companies:

The accounting of insurance entities and/or reinsurance companies is also subject to special accounting under the opinion (notice) N° 89 of March 10, 2011 issued by the National Accounting Council, which includes the diagram and rules of accounting, the presentation of financial statements of insurance entities and/or reinsurance entities. (CONSEIL NATIONAL DE LA COMPTABILITE, 2011)

11. Opportunities offered by the application of IFRS for SMEs (attempting to project on the Algerian environment):

For years, the concept of full international financial reporting standards (IFRS) has imposed itself as a language on listed pools on the stock exchange. However, given their complexity, it has so far been difficult to apply these standards to unvalued complexes, let alone small enterprises. However, the situation should change with IFRS for SMEs. This standard aims to meet the needs and capabilities of SMEs. The use of a common international reference should allow for SMEs in the Algerian environment:

11.1 Facilitating the Initial Public Offering (IPO):

All organizations seek to develop and grow constantly. To achieve this, SMEs need funding, often passing through financial markets. In fact, exchange finance is a very strong growth lever for SMEs, both at the level of finance and at the enterprise's image level. Therefore, if the inclusion or pricing of an enterprise is envisaged in the long term, the transition to IFRS is inevitable.

Growing companies that are considering listing their shares on overseas stock exchanges might want to consider applying IFRS for SMEs as intermediate step will facilitate the implementations of Full IFRS when it is required to be applied for the purposes of the IPO. (Deloitte, 2019)

In fact, many countries already require any company listed on the regulated market to prepare and publish consolidated accounts in accordance with full international financial reporting standards.

The rating of SMEs suffers from information asymmetries as well as the lack of know-how and competence of entrepreneurs and managers. Compliance with transparency requirements would address the first problem. (Observatoire de la coproduction en méditerranée, 2018, p. 13).

The IFRS standard for SMEs can provide a platform for growth-grown companies preparing to enter financial markets, where full IFRS is imposed. Therefore, going through IFRS to SMEs will allow us to anticipate a number of difficulties, given the significant correlation with full IFRS. Certainly, IFRS for SMEs are based on full IFRS with simplifications that take into account the specifics of SMEs.

11.2 Facilitate comparisons:

Today's enterprises are widely used to compare the benchmarking with competitors to compare themselves with others, but also to evaluate the performance or strength of a potential partner in their market. However, comparing two enterprises requires the use of comparable data.

Today, to compare any enterprise with a foreign enterprise, it is necessary to control the accounting, legal and tax rules of different countries, which are not available to all SMEs. If the financial reporting standards of SMEs, by providing a common language for financial reporting (displaying financial information) and evaluating the performance of enterprises (regardless of country of origin), facilitate these comparisons and thus allow all enterprises to prepare and easily develop benchmarks. It will also facilitate sectoral comparison between SMEs and listed companies.

11.3 Facilitate access to different sources of funding:

Very small enterprises (VSE) and small and medium-sized enterprises (SMEs) have financial needs, clearly identified to develop: (Observatoire de la coproduction en méditerranée, 2018, p. 8)

Recapitalization instruments;

Working capital financing;

Funding for the productive apparatus.

At all stages of their life cycle, whether to finance their creation, to ensure their survival or to support the growth of their activities, SMEs must be able to access the necessary sources of financing.

Although SMEs' access to bank financing has largely returned to normal after the financial crisis, market failures and structural difficulties remain, due in part to information asymmetries, high transaction costs in SME services and a lack of financial skills and knowledge of small business owners.

Access to long-term financing, whether in the form of loans or equities, is often an obstacle to the development of SMEs. Initial public offering of capital for SMEs can provide a means of financing innovative and high-growth SMEs, but markets are currently tight. This obstacle is all the more important if SMEs want to obtain external (foreign) sources of financing, both for their own development and for subsidiaries abroad. SMEs find it very difficult to obtain financing in line with their needs.

The presentation of their accounts under the IFRS reference adapted to SMEs will undoubtedly facilitate communication and restore a climate of confidence with the various investors who have already begun to familiarize and adapt to the IFRS used by listed companies, thus facilitating access to supplementary financing, which is essential for the development and development of institutions well.

The use of international rules on SMEs will also play a key role for a company seeking funding from a foreign financial institution to finance a project in its own country or in another country. In addition, banking partners are very likely to eventually press SMEs to obtain financial statements prepared under an accounting reference and similar (similar) to those used by listed companies.

11.4 Facilitating the merger or absorption of companies:

A company that wants to merge with another company, or sell itself, cannot simply rely on its local market. If they want to open up to other markets, you will necessarily need to submit their accounts according to an accounting reference framework (referential) known by all. In fact, potential investors will require SMEs to submit their accounts in accordance with IFRS because this is a more readable and comparable reference framework and, above all, reflecting the economic value of the company.

Foreign listed companies or subsidiaries of listed groups always wish to obtain financial listings prepared in accordance with the reference framework (IFRS) in order to:

Make a bid based on the company's current and future profitability, as measured by the IFRS for SMEs and comparable to the standards applied in their own accounts (full international financial reporting standards);

Assess the fair value of the enterprise and determine the amount of "Goodwill" or "Badwill" which is equal to the difference between fair value and the price paid by the company to be recorded in their accounts at the date of acquisition;

The ease of integrating the financial statements of the acquired company into its consolidated accounts for the years following the year of acquisition.

11.5 Promoting exchange between customers and suppliers:

Business relationships are based on trust between partners, and this trust is based in part on the financial information available.

This information is, in practice, crucial for SMEs, which are generally more sensitive to customer or supplier failure. However, the means of control available to SMEs are often very limited, particularly in their relationships with foreign partners in the world. In fact, SMEs do not have the means available to large companies to assess risks related to their business relationships, nor do they have the same capacity as large firms to endure potential difficulty.

Unlike national accounting rules, which vary from country to country, the widespread use of IFRS for SMEs, as a common reference known to all, should allow SMEs to have a controlled and accessible tool to assess the financial position of their partners, be they foreign or domestic, more easily.

Thus, as a client, SMEs can easily analyze the financial statements of their foreign supplier and make a judgment on the feasibility of their business relationship. On the other hand, the supplier will make his judgment more easily regarding the financial health of his foreign client before handing over his goods or performing his services.

11.6 Helping to secure the wealth of small and Medium Enterprises:

This "reference" provides a solution to display the wealth of SMEs by choosing opportunities associated with national tax rules. In many countries, a legal and/or tax approach prevails today, sometimes affecting the quality of information. In principle, it would be preferable for a system based solely on an economic approach to activity and wealth to reflect the reality of the SMEs sector situation.

11.7 Simplifying the management functions of SMEs:

Most SMEs find themselves obliged to carry out several administrative tasks, whether at the accounting, social, legal or tax levels. Consequently, SMEs that are constantly evolving internationally and are in constant search for new foreign partners must provide companies with a comparable and reliable accounting reference. Therefore, these SMEs find themselves facing numerous "accounting references" for proposal and implementation, and SMEs are therefore seeking to harmonize (harmonization) of these references at the international level. The financial reporting standard for SMEs is met by this need, thus creating a definite competitive advantage for SMEs that risk converting their accounts to IFRS. In fact, a shift towards this new standard will allow them to avoid various reprocessing processes in order to improve their financial information.

11.8 Reducing costs and time for groups:

For an international group with branches in many countries, financial reporting is generally complex and costly. In practice, each branch based in a country must prepare accounts for both local needs as well as the needs of the complex, often applying very different accounting rules and standards.

The existence of reprocessing between these accounts is a source of additional costs for the company, both at the production level and also at the level of account control. The use of IFRS for SMEs, a reference that is applied indiscriminately and indiscriminately to individual and aggregated accounts, would enable the pools to streamline their accounting production process, eliminate differences between these different accounts and, at the same time, reduce the cost and time of accounting. This would facilitate aggregation because of the similarity of the conceptual principles governing these references.

11.9 Improving oversight and reducing the costs of information systems:

The International Accounting Standards Board has no plans to develop IFRS programs for SMEs, as information technology is not at the core of its main activity. However, the global nature of IFRS for SMEs should encourage IT publishers to offer the same product (accounting programs), regardless of country, and this will have two consequences:

- Increase dissupply of software in each country, with increased competition and lower costs for enterprises;
 - Reduced costs of IT development and product adaptation to the publishers' geographical market, thanks to the standardization of accounting rules to be respected.
- For complexes, the existence of unique products that can be used indiscriminately in many countries should facilitate the establishment and maintenance of complex management systems. The existence of a product marked "IFRS for SMEs" should enable SMEs to create a single IT tool for all companies in the complex, without incurring additional costs, as is currently the case, particularly at the level of system development and maintenance.

12. RESULTS AND DISCUSSION:

1- IFRS for SMEs is an independent document organized by topics (35 sections), contrary to the full IFRS, which facilitates the application of the standard as well as follow-up to all amendments.

2- The standard includes a number of differences related to evidence and measurement compared to the Full IFRS, and requires less comprehensive and detailed disclosures, the International Accounting Standards Board has indicated a reduction of approximately 90% at the level of clarifications

3- The New International Standards: (IFRS 9 "Financial Instruments", IFRS 15 "Revenue from Contracts with Customers", IFRS 16 "Leases") not applied to the IFRS for SMEs, because it is a separate document and does not have to expect or apply changes made in the Full IFRS before the inclusion of this changes in the IFRS for SMEs.

4- The IFRS for SMEs development approach includes the following:

- Provide substantially less guidance than the Full IFRS;
- Simplifying proof and measurement requirements;
- Excluding the loss that was considered unsuitable for small and medium-sized enterprises;

- Some of the most complex options in the Full IFRS have been excluded.

5- A number of topics have been deleted from the standard, namely: (IAS 29 "Financial Reporting in Hyperinflationary Economies", IFRS 2 "Share-based Payment", IAS 34 "Interim Financial Reporting", IAS 33 "Earnings Per Share", IFRS 16 "Leases", IAS 14 "Segment Reporting (Superseded)

6- IFRS for SMES has been simplified by:

- There is no request to capitalize development costs;

- Joint units may be accountable for the cost or value of the fair as well as the method of ownership;

- Agricultural profits or losses can be acknowledged when they are achieved;

- Fair value of investments and biological assets can be recognized when market price information is available;

- There is a simplification of financial instrument information, and the volume of disclosure has been reduced significantly and further.

7- The IFRS for SMEs Standard is required or permitted in more than 80 countries and is used by millions of companies. (IFRS Foundation, 2020; IFRS Foundation, 2020)

CONCLUSION :

As part of the extensive consultation approved by the Algerian authorities to review the Financial Accounting System (FAS), we propose the following strategy:

Maintaining the current Financial Accounting System (FAS) with the need to adapt it to the IAS/IFRS, because since the issuance of this system in 2007 and its application in 2010 has not received any review despite the many fundamental changes that have taken place in international standards (IAS/IFRS), where new standards have been issued and many other standards have been abolished and others have been amended. We recall that the current Algerian Financial Accounting System is derived from the 2004 edition of international standards. This system applies to listed enterprises, as well as large public and private enterprises (joint stock companies);

Application of IFRS for SMEs standards to SMEs (while maintaining simplified accounting for small entities) due to the advantages provided by this standard, particularly in terms of lower cost.

With the implementation of these two systems, we will overcome many of the problems and provide SMEs (which represent the largest proportion of the number of enterprises) with an easy, simple and changeable framework for at least 3 years. In accordance with this strategy, the review process of the two systems will also be

permanent in line with all changes in the IAS/IFRS and the IFRS for SMEs. In parallel, a total reform of the tax system is needed, in order to fully comply with accounting reform, and in order to overcome the problem of the dependency of the accounting system of the tax system.

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